Option to Provide Utility Bills on Monthly Billing Cycle

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**SUMMARY**

Utility Bills for water/sewer and solid waste management charges are generally issued under two specific billing cycles, depending on the type of property and the volume of water consumed:

- **Low Volume/Residential** - Customers that consume less than 6,000 cubic metres of water annually are billed three times per year (every four months, or approximately every 120 days), and;

- **Commercial or Industrial High Volume** - Customers that consume more than 6,000 cubic metres of water annually are billed on a monthly basis (every 30 days). This includes most large commercial buildings, large residential apartment or condominium buildings and other commercial or industrial high-volume users.

This report examines the feasibility and financial and other implications of allowing low volume/residential customers to opt to receive utility bills on a monthly basis.

**RECOMMENDATIONS**

The Treasurer recommends that:

1. City Council authorize Revenue Services Division to undertake a one-year pilot project to develop and implement the necessary programming and procedural changes to allow for monthly utility billings for low volume/residential customers, where the customer has elected to receive monthly utility billings.
2. City Council approve that, as a condition of receiving monthly utility billings, low volume/residential customers must:
   a) be enrolled in ePost (electronic billing) to receive their billings electronically; and
   b) be enrolled in the City's Pre-Authorized Utility Payment program (automatic payment withdrawals from customers' bank accounts).

3. The City Solicitor prepare and present to Council any necessary amending by-laws.

Financial Impact
It is expected that the costs associated with offering the option of monthly utility billings to low volume/residential customers for the initial one-year pilot recommended in this report can be absorbed within the current 2015 and 2016 budget allocation for Revenue Services (Office of the Treasurer), with no additional impacts on budgets for these years, provided that the program is rolled out with electronic bills and payments.

The costs associated with offering monthly utility billings include Information & Technology (I&T) resources to make the necessary programming changes to the City's utility billing system, which will be undertaken by dedicated I&T resources that are currently funded through Revenue Services' operating budget, with no immediate financial impacts.

The requirement that customers must enroll in ePost in order to receive monthly utility billings may result in slight additional costs for ePost services (ePost's charges are based on number of subscriptions), but it is expected that these increased costs will be offset by savings in printing and postage from not having to print and mail paper bills.

The actual costs and/or savings that may accrue from offering a monthly billing option will depend on customer take up for this option, and will be evaluated following the one-year pilot project to determine actual financial implications. Should enrolment in the monthly billing option exceed 60,000 customers, it is expected that, with the increased volume of monthly billings required, additional staff resources may be required to ensure that billing accuracy is maintained.

At present, approximately 32,000 utility bills are produced weekly. Weekly billings are reviewed to identify anomalies in billing or consumption patterns, and to ensure accuracy with meter readings, rates and volumes. While much of this review process is automated, staff also conduct manual reviews of a certain percentage of billings that fall above or below threshold criteria for consumption patterns. Should the number of customers receiving monthly billings exceed 60,000 customers, an additional 1,200 bills or more could be added to the weekly billing file, and additional staff resources may be necessary to maintain accuracy levels. Any additional costs or resources necessary associated with...
monthly billings will be reported to Council through the regular budget process following evaluation of the one-year pilot project.

The Deputy City Manager & Chief Financial Officer has reviewed this report and agrees with the financial impact statement.

**DECISION HISTORY**

At its meeting of July 8, 9, 10 and 11, 2014, City Council, in adopting Item MM54.7: *Option for Monthly Billing and Payment of Water Bills*, requested that the Deputy City Manager & Chief Financial Officer investigate the possibility and cost (and savings) of allowing residents who opt for electronic billing and payment to receive monthly invoices for water usage. The full text of this item is available at: [http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.MM54.7](http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.MM54.7)

**ISSUE BACKGROUND**

Approximately 520,000 utility customers currently receive utility bills for water/sewer and solid waste management charges. Approximately 490,000 or 94 per cent of all accounts are low volume/residential accounts, while 16,500 (3%) are high volume accounts, and a further 16,500 (3%) are solid-waste only accounts. The billing cycle for low volume/residential customers is 3 times per year (every 4 months). Revenue Services mails in excess of 1.6 million bills annually.

The current 4-month billing cycle for low volume/residential accounts was originally based on the frequency with which water meter readings could be obtained, when meter readings were obtained manually by in-person visits by water meter readers or by mailed-in meter reading cards.

With the now near-complete implementation of Toronto's Water Meter Program and the installation of automated meter reading equipment across the City (approximately 98.5% of properties have had their meters replaced or upgraded), meter readings for water consumption are now transmitted by radio frequency and collected electronically. This technology and the availability of daily consumption data now makes possible the ability to provide a monthly option for utility billings.

**COMMENTS**

Monthly billings for utility charges may offer a number of advantages to City of Toronto residents and property owners, including:

- Regular monthly billings provide smaller, more affordable payment amounts. Typically, an average household utility billing (for water/sewer and solid waste fees) may range between $250 and $350 for a 4 month period – a monthly billing might be expected to be between $62 to $87;
- Monthly billings may reduce large fluctuations in consecutive billings that arise due to seasonal changes in water consumption patterns;
• Monthly billings could alert homeowners sooner to high water consumption due to leaking fixtures or plumbing, or other changes in consumption;

• Monthly billings could allow for more timely adjustments to solid waste billings, i.e., where garbage bins are exchanged for a smaller bin size.

• Monthly utility bills would be sent electronically, rather than a printed bill sent via regular post, allowing the bills to be stored and retrieved electronically, while providing for savings on paper/envelopes for a more environmentally sustainable approach.

• Monthly electronic billings, while made more frequently, would be withdrawn automatically from the utility customer’s bank account, alleviating the need to write and mail in a cheque payment, or the need to remember to make payment in person, at the bank or on-line.

• Pre-authorized withdrawals would also ensure that the discount for early payment of a utility bill is always earned, meaning no fees or additional charges for late payments.

Feasibility of Offering Monthly Utility Billings

Currently, utility billings for low volume/residential accounts are issued three times per year, at approximately 4 month (or 120 day) intervals. Billings for the water/sewer portion of the utility bill are based on actual consumption for the 120-day period of the billing, with billed consumption reflecting the actual water meter readings taken at the start and the end of the billing period. Through Toronto's Water Meter Program, the conversion of older water meters with new automated water meters that transmit readings wirelessly has greatly improved the City's ability to issue bills based on actual consumption, and facilitates alternate billing cycles and frequencies, including monthly billings.

The solid waste management portion of the utility bill for residential customers that have curbside garbage pickup reflects the garbage bin size selected by the homeowner. Solid waste bills are calculated using a per-day rate that differs for each bin size – small, medium, large and extra large. Solid waste fees are also offset by a solid waste rebate amount, also calculated on a per diem rate that differs by bin size. Any billing cycle for solid waste charges simply reflects the number of days in the billing period, and the applicable daily bin and rebate rates. The per-diem billing calculation for solid waste charges is therefore straightforward to adapt from a 120-day to a 30-day billing period.

In order to offer the monthly billing option, Revenue Services Division will need to revise current billing practices and internal procedures in order to track customer requests opting for monthly billings within the utility billing system, and to extract billing information on the new monthly billing cycle. Initially, it is expected that these changes can be accommodated using existing staff resources.
Additionally, programming of the utility billing system will be required to facilitate monthly billings, new extract cycles, etc. It is expected that these changes will be undertaken by dedicated I&T resources that are currently funded through Revenue Services' operating budget, with no immediate additional financial impacts.

**Ensuring Monthly Billings are Cost-effective**

In order to implement monthly utility billings without immediate cost increases, several requirements are necessary to allow customers to be billed on a monthly basis, including:

- Mandatory enrollment in electronic billing (ePost) and;
- Mandatory enrollment in Pre-Authorized Utility Payment (PUP) plan.

By requiring that customers enroll in ePost, allowing for the electronic "delivery" of a utility bill each month, Revenue Services can ensure that utility bills are delivered such that a minimum 21-day period is provided between receipt of the bill and the payment due date, as required within the City's by-laws. The electronic billing option eliminates potential delays in printing or mailing of utility bills, and is therefore a necessary requirement for a monthly billing option. The elimination of the need to print and mail bills also provides for program savings.

The further requirement that customers enroll in the City's Pre-authorized Utility Payment (PUP) program is critically important to ensure that billings and payments are made in a timely fashion within each respective billing period. Otherwise, a prospective monthly billing customer could have overdue notices and other fees applied to the original bill if payment isn't received by the City on or before the due date, which would then conflict with new billing file created 9 days following the due date. Enrolment in the pre-authorized payment plan ensures that payments are received on time, and the discount for early payment is always obtained, providing savings to the utility customer.

This report recommends making available a monthly billing option for low volume/residential utility customers on a pilot project basis for one year. Customers wishing to receive monthly utility bills must elect to do so, and must agree, as a condition of the monthly billing option, to receive their billings electronically via ePost, and to have their utility payments withdrawn automatically from their bank accounts under the City's Pre-Authorized Utility Payment Program.
A one-year pilot-project could be commenced as early as April 1, 2016 following programming changes. A future report to Council will report on customer satisfaction and take up levels, and any additional costs or additional staff resources associated with continuing the monthly billing option.

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**SIGNATURE**

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Treasurer